

MARKETBEATS

3.2%

St Kilda Road grade-A
vacancy (Jan '18)

4.5%

Southbank grade-A
vacancy (Jan '18)

\$315

(per sqm) St Kilda Road
grade-A net effective rent

BE
WHAT'S
NEXT

HIGHLIGHTS

Available prime stock scarce in St Kilda Rd

Grade-A stock in St Kilda Road is limited with vacancy sitting at 3.2% - significantly tighter than non-prime stock. Vacancy in the secondary market has remained stubbornly high due to undesirable localities of stock and lack of quality in buildings as most approach the end of their lifecycle. This has resulted in the withdrawal of over 40,000 sqm of secondary grade stock over the past 12 months, typically for residential conversion.

Southbank's grade-A vacancy at sub-5%

Southbank remains one of Melbourne's tightest markets with vacancy that has rarely eclipsed 5% over the past decade. The lack of available space has constrained net absorption, leading to higher rental growth and lower incentives. It has also pushed tenants to other nearby office markets such as the CBD and St Kilda Road.

Tenant demand driving rental growth

The combination of limited stock and robust tenant demand has created a landlord-friendly environment in Melbourne's fringe office markets. Average Grade-A net effective rents sit at \$315 per sqm and \$450 per sqm in St Kilda Road and Southbank respectively, representing a 3% and 15% YoY growth for each submarket. Further rental growth is likely as the new supply under construction is submarkets further from the city centre.

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ECONOMIC INDICATORS

	Q4 17	Q1 18	12-Month Forecast
GDP Growth (National)*	2.2%	2.6%	▲
SFD Growth (VIC)*	4.7%	4.8%	▼
Unemployment (VIC)†	6.1%	5.2%	■

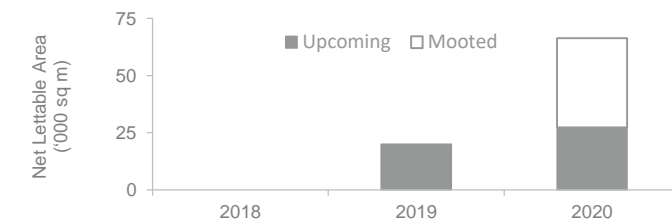
*Average annual growth rate, †Seasonally adjusted
Source: ABS; Deloitte Access Economics; Cushman & Wakefield Research

GRADE A FRINGE NET EFFECTIVE RENTS



■ Net Effective Rents
Source: Cushman & Wakefield Research

SUPPLY PIPELINE



Source: Cushman & Wakefield Research; PCA

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MARKET	GRADE A			GROSS EFFECTIVE RENT (GRADE A)		
	NET EFFECTIVE RENT (A\$)	OUTGOINGS (A\$)	GROSS INCENTIVES	A\$/SQM/YR	US\$/SQM/YR	EUR/SQM/YR
Southbank Grade-A	450	160	22.5%	610	452	388
Southbank Secondary Grade	325	110	22.5%	435	322	277
St Kilda Road Grade-A	315	120	22.0%	435	322	277
St Kilda Road Secondary Grade	260	113	21.0%	375	278	239
Suburban Grade-A*	330	105	17.5%	435	322	277
Suburban Secondary Grade*	235	100	21.5%	330	244	210

[^]All-Grades ^{*As at 31/12/2017}

AUD/USD = 0.7406; AUD/EUR = 0.6366 as at 18th June 2018

*Aggregate of suburbs between 4 road networks (Hoddle Street, Burke Road, Eastern Freeway, South-Eastern Freeway)

KEY LEASING TRANSACTIONS Q2 2018

PROPERTY	SUBMARKET	TENANT	SQM	LEASE TYPE
2 Southbank Boulevard	Southbank	Carlton & United Breweries	6,500	Relocation
30 Convention Centre Place	Southbank	LeasePlan	3,820	Renewal

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQM	COMPLETION DATE
510 Church Street, Cremorne	City Fringe	N/A	19,000	Subject to Pre-Commitment
600 Church Street, Cremorne	City Fringe	N/A	5,800	Being built on Spec – Q1 2020
57 Balmain Street, Cremorne	City Fringe	Reece Plumbing	7,500	Q3 2020
60 Cremorne Street, Cremorne	City Fringe	SEEK	20,000	TBC
1-7 Elizabeth Street, Kensington	City Fringe	N/A	Stage 1 – 17,000	Q4 2019
51 Langridge Street, Collingwood	City Fringe	N/A	3,000	Q4 2019
101 Moray Street, South Melbourne	City Fringe	N/A	14,000	Q1 2020